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Chairman: Mr. Rosenthal ..... (Guatemala)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10.10 a.m.

Agenda item 119: Improving the financial situation of the United Nations (*continued*)

Statement by the Under-Secretary-General for Management

1. **Mr. Connor** (Under-Secretary-General for Management) presented the Secretary-General's statement on the financial situation of the United Nations. A number of important initiatives had been undertaken in 2000, including a thorough assessment of the Organization's capacity to support peacekeeping missions effectively; a comprehensive staff security assessment and a remedial plan; a capital master plan, prepared at the request of Member States, to refurbish the ageing Headquarters complex; a framework for an information technology strategy; and a proposal for a broad-based reform of human resources management. However, none of those activities could be successful or sustainable without an adequate financial footing, which, in turn, was defined in terms of three components: cash on hand, the levels and payment of assessed contributions and the debt owed to Member States. In his previous presentation to the Committee, on 17 October 2000, he had indicated that 1999 had been a good year financially. However, in 2000, all three components of the Organization's financial position had deteriorated. The level of cash on hand at the end of 2000, at $1 billion, had been about $100 million lower than its 1999 level. Unpaid assessments at the end of 2000, at $2.2 billion, had exceeded the levels of the past four years and had represented a $500-million increase over the 1999 level. The outstanding debt owed to Member States for troops and contingent-owned equipment had risen to $917 million, exceeding the levels of the past four years.

2. The aggregate level of cash on hand at the end of 2000, at $1.006 billion, had been lower than the 1999 level of $1.093 billion, but had nevertheless been far better than the levels experienced in the years before 1999. That amount included $940 million for peacekeeping operations and the two International Tribunals and $66 million for the regular budget. Over the past six years, cash levels for peacekeeping and the Tribunals had been consistently positive, while those for the regular budget had been negative for four of those years. That had resulted in a comparatively low aggregate cash level of around $700 million in 1995, 1996, 1997 and 1998, which had reflected the practice of cross-borrowing from the peacekeeping account to offset the deficit in the regular-budget account. In 1999 and 2000, the United States had paid the full amount of its assessed contributions for the regular budget for those years, although in both cases the payments had been made very late in the year. That had eliminated the need for cross-borrowing. Thus, at the end of 2000, the cash balance, while lower than its 1999 level, had still been positive.

3. The level of assessed contributions decided by the Member States was the best indicator of the extent of the services which the Organization was being asked to provide. The aggregate assessment level of $3.4 billion for 2000 had approached the peak levels reached in 1994 and 1995 and had far exceeded the 1999 level of $2.064 billion. That amount comprised $1,089 million for the regular budget, which had remained constant since 1994; $166 million for the International Tribunals, which represented a slight increase over the 1999 level; and $2,154 million for peacekeeping, which represented a dramatic increase over the 1999 level. That increase was primarily attributable to four large peacekeeping missions: the United Nations Mission in Sierra Leone (UNAMSIL), the United Nations Transitional Administration in East Timor (UNTAET), the United Nations Interim Administration Mission in Kosovo (UNMIK) and the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC). All but one of those missions had had assessment levels of over $500 million, and most of them were expected to require still higher assessment levels in 2001.

4. In 2000, 141 Member States had paid all their regular-budget assessments in full, for 2000 and for all preceding years; that represented remarkable progress, which the Secretary-General highly appreciated. Another 27 Member States had still owed the equivalent of one year's assessment or less, and only 19 Member States had owed amounts in excess of one year's assessed contribution. The United States had owed $165 million, or 74 per cent, of the aggregate unpaid amount; Brazil had owed $22 million, or 10 per cent; Argentina had owed $12 million, or 5 per cent; and the other 43 Member States had owed some $23 million, or 11 per cent. Over the past three years, the level of regular-budget arrears had been nearly halved, from $417 million in 1998 to $222 million in 2000. The payment by the United States of its regular-budget

assessment before the end of the year had reduced its arrears by $151 million; he hoped that that trend would continue.

5. Assessed contributions for the International Tribunals had risen steadily. In 2000, about one fourth of the amount assessed had not been paid. At the end of 1998, 1999 and 2000, unpaid assessments for the Tribunals had amounted to $20 million, $32 million and $47 million, respectively. In 2000, for the first time, that shortfall had made it necessary to resort to cross-borrowing. At the end of 2000, 106 Member States had had unpaid Tribunal assessments, with the United States, the Russian Federation and France each accounting for about 25 per cent of the total amount outstanding. Brazil had owed 11 per cent and Argentina, 2 per cent, while the remaining 101 Member States had owed 11 per cent. However, he was pleased to report that, early in 2001, France had paid the full amount of its unpaid assessment for 2000 and the United States had paid its prior years' contributions, along with a partial payment for 2001.

6. Peacekeeping arrears, at the end of 2000, had amounted to $1.989 billion, of which the United States had owed $1.144 billion, or 58 per cent, and five other Member States had owed 33 per cent; 168 other Member States had owed the remaining 9 per cent. The peacekeeping arrears of the United States and Japan had increased markedly by the end of 2000, but several other Member States, particularly the Russian Federation, had made significant efforts to pay their long-standing debts. Early in 2001, France had paid a substantial portion of its outstanding contributions for prior years. In addition, Japan had just paid $367 million, representing the full amount of its peacekeeping arrears as at 31 December 2000.

7. In sum, the aggregate level of arrears had increased in 2000, and the arrears were concentrated in a small group of Member States. Three Member States owed 89 per cent of outstanding regular-budget contributions, five Member States owed 89 per cent of outstanding International Tribunal contributions and six Member States owed 91 per cent of outstanding peacekeeping contributions. On the other hand, he was grateful to those Member States which had paid in full all three types of assessed contributions for all years: Australia, Canada, Finland, Grenada, Honduras, Kuwait, Liechtenstein, the Federated States of Micronesia, Monaco, Norway, Poland, the Republic of Korea, South Africa, Sweden and the United Kingdom.

8. With respect to the third component of the Organization's financial position, namely, its debt to Member States, the amount of debt and the amount which the Organization could afford to pay to Member States at a given time were very difficult to determine, since significant estimates, subject to changing evaluations, were required. In the course of the year 2000, the amount owed had risen from $800 million to $917 million, mostly for contingent-owned equipment, and payments of $91 million for 1999 obligations and $71 million for 1999 arrearage obligations had been made to Member States. However, actual obligations in 2000 had increased to $491 million, far outstripping the projected amount of $365 million. A downward revaluation had reduced the debt by some $47 million, and payments of $165 million had been made to Member States. Because no payments of peacekeeping arrears had been received in 2000, no additional amounts could be paid to Member States. However, the Organization's peacekeeping cash reserves would enable it to make an additional payment of $100 million against its obligations for 2000, comprising $66 million for troops and $34 million for contingent-owned equipment. That would reduce the debt to $817 million. The Secretary-General was disappointed that, for the first time in several years, he would be unable to pay in full to Member States the new obligations incurred during the current year. However, that decision had been necessary in view of the growing level of peacekeeping activity and the need for cash to sustain it. The Organization's debt was owed to 74 Member States; the largest amounts were owed to India, the United States, the Netherlands, the United Kingdom and Nigeria.

9. In view of the daunting challenges which the United Nations would face in 2001, assessed contributions must provide a firm foundation for its core responsibilities, yet collections thus far for the regular budget had been disappointing. In 2000, 64 Member States had paid their regular-budget contributions in full by the end of February; in 2001, only 54 had done so within the same time frame. Some $381 million had been received in the first two months of 2000, whereas only $299 million had been received in the first two months of 2001. That situation could be traced to a number of causes: the fact that some major contributors had delayed their payments until March; the effect of the decision to lower the ceiling rate to 22 per cent; and the reduction, by about $31 million, of the aggregate amount which Member States other than

the United States had been asked to pay, as a result of a promise by the United States to make an additional payment in that amount. The additional payment in question had not yet been received. However, a number of large regular-budget payments had been made in March, including $12 million from Belgium and $51 million from Italy. Japan, the United Kingdom and Germany had made large partial payments since January 2001.

10. In the period from 1995 to 1998, the Organization had faced critical regular-budget cash deficits in the second half of each year because the United States had waited until after 31 December to pay part of its regular-budget assessment for the calendar year. In 1999 and 2000, the level of early contributions from a large number of Member States had improved and the United States had paid substantially all of its regular-budget assessment before the end of the year. In 2001, that positive cash position in the regular budget was expected to continue but also to regress slightly. Receipts were expected to peak early in the year. The two largest contributors, namely, the United States and Japan, were not expected to pay the bulk of their regular-budget contributions until later in the year. As a result, periods of negative cash flow in the regular-budget account were expected, with a consequent need to cross-borrow from August onwards. The year was expected to end with a positive cash balance of $45 million, as compared to the balance of $66 million at the end of 2000. The frequency with which the amount of regular-budget cash fell below zero, and the need to cross-borrow, would be reduced if Member States paid their assessed contributions on time, accelerated their payments if they had previously paid late in the year and paid in full, in any event, by the end of the year.

11. For 2001, assessed contributions for peacekeeping operations were projected to increase to $2.6 billion, from $2.1 billion in 2000. Assessed contributions for two of the five major missions would be higher than in 2000. UNAMSIL would probably require the largest increase and could reach the level of $800 million. The other requirements were projected at $550 million for UNTAET, $450 million for UNMIK, $200 million for UNMEE and $144 million for the United Nations Mission in Bosnia and Herzegovina (UNMIBH). Because the requirements of MONUC would probably be substantially higher than in 2000, the overall projection of $2.6 billion could reach $3 billion. At the same time, the missions' cash balances could be adversely affected if payments of assessed contributions failed to keep pace with ongoing cash needs for mission expenses such as payroll and contractual liabilities, as well as government payments for letters of assist. The year-end cash balance for peacekeeping was expected to fall to $873 million.

12. Thus, the cash balances in both the regular-budget and peacekeeping accounts were expected to fall; the combined amount at the end of 2001 was projected at $942 million. Although that level was considered safe from the viewpoint of cash management, it would not be enough to put the Organization in a comfortable financial position.

13. With respect to the Organization's debt to Member States, payments delayed from 2000, in the amount of $100 million, were currently being effected. New obligations of $504 million for troops and contingent-owned equipment were anticipated for 2001. The Secretary-General was aware of the need to liquidate, in the year in which they were incurred, a high proportion of new obligations for troops and contingent-owned equipment. In 2001, he planned to pay $417 million to Member States in partial liquidation of the new obligations incurred. Unfortunately, however, that amount fell short of the projected $504 million in new obligations for that year. In view of the projected high level of obligations, the Secretary-General would have to be both conservative and prudent in deciding how much could be paid out to Member States. Those projections did not include adjustments arising from revaluations of equipment debt or debt payments from amounts that might be received in respect of arrears of assessed contributions for peacekeeping. Thus, unpaid debt to Member States was expected to reach $904 million by the end of 2001, which was only slightly less than the $917 million owed at the end of 2000.

14. That projection would be affected by the anticipated arrears payment by the United States. Although projections normally did not take into account prospective payments that did not follow a past payment pattern or had not been officially communicated to the Secretary-General, payment plans and schedules were sometimes requested from Member States that owed significant amounts. In reply to such a request, the Permanent Mission of the United States had recently informed the Secretary-General that an arrears payment of $582 million should be forthcoming in the near future. Once that payment had been

received, a large portion of it would be used immediately to pay certified claims from Member States for troops and contingent-owned equipment. Currently, certified claims amounted to about $400 million. The rest of the amount received from the United States would be paid out as quickly as possible after pending claims had been processed and certified. No part of the arrears payment from the United States would be diverted for any other purpose. Thus, the debt to Member States would be reduced to about $322 million. That would be a major financial event for both Member States and the Organization, since it would help redress the current situation in which one group of Member States financed the obligations of others and would remove a large amount of debt and some long-standing arrears from the Organization's balance sheet. It therefore appeared that a new degree of financial stability and liquidity was within reach in the year 2001.

Agenda item 115: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*) (A/C.5/55/L.44)

Draft resolution A/C.5/55/L.44

15. **Mr. Elgammal** (Egypt), introducing draft resolution A/C.5/55/L.44 on behalf of the Chairman, expressed the hope that it would be adopted by consensus.

16. *Draft resolution A/C.5/55/L.44 was adopted.*

Agenda item 116: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Agenda item 123: Human resources management (*continued*)

Gratis personnel provided by Governments and other entities (*continued*) (A/C.5/55/L.45)

Draft decision A/C.5/55/L.45

17. **The Chairman** drew attention to draft decision A/C.5/55/L.45, which had been prepared by the Secretariat in accordance with the decision taken by the Committee at its 49th meeting.

18. *Draft decision A/C.5/55/L.45 was adopted.*

Agenda item 120: Administrative and budgetary coordination of the United Nations with the specialized agencies and the International Atomic Energy Agency (*continued*) (A/C.5/55/L.41)

Draft decision A/C.5/55/L.41

19. **The Chairman** drew attention to draft decision A/C.5/55/L.41, which had been prepared by the Secretariat in accordance with the decision taken by the Committee at its 46th meeting.

20. *Draft decision A/C.5/55/L.41 was adopted.*

Agenda item 127: Financing of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (*continued*) (A/C.5/55/L.42 and A/C.5/55/L.43)

Draft resolutions A/C.5/55/L.42 and A/C.5/55/L.43

21. **Ms. Merchant** (Norway), introducing draft resolutions A/C.5/55/L.42 and A/C.5/55/L.43 on behalf of the Chairman, said that draft resolution A/C.5/55/L.42 authorized the Secretary-General to enter into commitments in an amount not to exceed $5,280,900 gross for the resource requirements of the Tribunal to support ad litem judges for the year 2001. Draft resolution A/C.5/55/L.43 dealt with the conditions of service and compensation for the ad litem judges. She urged the adoption of the draft resolutions by consensus.

22. *Draft resolutions A/C.5/55/L.42 and A/C.5/55/L.43 were adopted.*

Agenda item 176: Financing of the United Nations Mission in Ethiopia and Eritrea (*continued*) (A/C.5/55/L.46)

Draft resolution A/C.5/55/L.46

23. **Mr. Kelapile** (Botswana), introducing draft resolution A/C.5/55/L.46, expressed the hope that it would be adopted by consensus.

24. *Draft resolution A/C.5/55/L.46 was adopted.*

Agenda item 117: Programme budget for the biennium 2000-2001 (*continued*)

Programme budget implications of draft resolution A/55/L.80 concerning agenda item 12 (A/55/L.80; A/C.5/55/41)

25. **The Chairman** drew attention to the statement of the programme budget implications of draft resolution A/55/L.80 concerning agenda item 12 submitted by the Secretary-General (A/C.5/55/41). He informed the Committee that the Advisory Committee on Administrative and Budgetary Questions had considered the statement of programme budget implications and recommended acceptance of the proposals contained therein.

26. **Mr. Repasch** (United States of America) said that it was not clear to his delegation why an amount of $29,600 would be required in the biennium 2000-2001 for the travel of up to five representatives of Senegal to attend the fifty-sixth session of the General Assembly, whereas in the biennium 2002-2003, only $27,400 would be needed to cover the travel of up to five representatives of that country to attend both the fifty-seventh and fifty-eighth sessions of the General Assembly. Those amounts were not consistent.

27. **Ms. Fletcher** (Office of Programme Planning, Budget and Accounts) said that, in fact, of the $29,600 required for the biennium 2000-2001, only $13,700 was needed to cover travel to the fifty-sixth session of the General Assembly. The balance of $15,900 was required for the travel of one representative of Senegal to attend three special sessions of the Assembly to be held in 2001, namely, the special session to review the achievement of the goals of the World Summit for Children, the special session for an overall review and appraisal of the implementation of the Habitat Agenda and the special session of the General Assembly on HIV/AIDS. In order to arrive at the estimated requirements for the biennium 2002-2003 for the travel of up to five representatives of Senegal to attend the fifty-seventh and fifty-eighth sessions of the General Assembly, which amounted to $27,400, the Secretariat had simply doubled the corresponding amount for the biennium 2000-2001. She noted that, in the penultimate line of paragraph 6 of the statement of programme budget implications, the word "session" should be pluralized.

28. **The Chairman** suggested that the Committee, in the light of those clarifications and on the basis of the recommendation of the Advisory Committee, should inform the General Assembly that, should it adopt draft resolution A/55/L.80, an additional appropriation in the amount of $29,600 would be required under section 1 (Overall policy-making, direction and coordination) of the programme budget for the biennium 2000-2001, in accordance with General Assembly resolutions 1798 (XVII) of 11 December 1962 and 41/213 of 19 December 1986, for the travel of up to five representatives of Senegal to attend the fifty-sixth session of the General Assembly and the travel of one representative or alternate representative of Senegal to attend the special sessions of the General Assembly in 2001, and that the requirements for 2002-2003, estimated at $27,400, for the travel of up to five representatives to attend the fifty-seventh and fifty-eighth sessions of the General Assembly, would be included in the proposed programme budget for the biennium 2002-2003.

29. *It was so decided.*

The meeting rose at 11.30 a.m.